श्री सत्य प्रकाश मालवीय : मेरे साथ अन्याय हो रहा है ।

उपसभापति : यहां चित्रों की बात न करिए, हम लोग हाउस के अंदर बिजनेस कर रहे हैं । Let us not talk about photographs or newspapers. (*Interruptions*)

श्री सत्य प्रकाश मालवीय : मैं फोटोग्राफ्स की बात नहीं कर रहा हूं । मैं चर्चा कर रहा हूं... (**व्यवधान**) मैं फोटोग्राफ्स की चर्चा नहीं कर रहा हूं, मैं सिर्फ यह निवेदन कर रहा हूं कि माजिद अली के साथ प्रधान मंत्री, श्री राजीव गांधी, श्री वीर बहादुर सिंह, उत्तर प्रदेश के मिनिस्टर, श्री अरुण कुमार सिंह का... (**व्यवधान**)

उपसभापति : कृपया, आप लोग बैठ जाइये । मालवीय जी, मैंने आपको बोलने की अनुमति नहीं दी है । मेरी आपसे विनती है कि आप न बोले । बेकार है यदि आप बोलेंगे क्योंकि वह रिकार्ड नहीं करेंगे, क्या फायदा ।

मैंने आपको कह दिया, मैंने रुलिंग दे दी है । इसके बाद कुछ बोलना आपके लिए उचित नहीं है और मेरे लिये भी सुनना उचित नहीं है ।

श्री ईश दत्त यादव (उत्तर प्रदेश) : यह जनता का मामला है, इसलिए इसको उठाने का मौका दें । ... (**व्यवधान**)... यह गंभीर मामला है इसमें कांग्रेस के सारे मिनिस्टर लोग आए हुए है । .... (**व्यवधान**)

THE DEPUTY CHAIRMAN: Now, the Union Duties of Excise (Distribution) Amendment Bill, 1989 and the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1989. Shri B. K. Gadhvi.

I. UNION DUTIES OF EXCISE (DISTRIBUTION) AMENDMENT BILL, 1989

AND

II. ADDITIONAL DUTIES OF EXCISE GOODS OF SPECIAL IMPORTANCE) AMENDMENT BILL, 1989

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B. K. GADHVI): Madam, I beg to move:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, as passed by the Lok Sabha, be taken into consideration."

Madam, I also beg to move:

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, as passed by the Lok Sabha, be taken into consideration."

Madam, these two Bills arise out of the recommendations of the First Report of the Ninth Finance Commission for 1989-90 in terms of Article 280(3) of the Constitution. The Commission is required to make recommendations in regard to—

(a) the distribution between the Union and the States of the net proceeds of the taxes which are to be or may be divided between them under Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenue of the States out of the Consolidated Fund of India; and

(c) any further matter referred to the Commission in the interests of sound finance.

Under Article 280(3) (c) of the Constitution the Commission, is re-

[Shri B. K. Gadhvi]

quired, *inter alia*, to suggest changes, if any, to be made in the principles governing distribution among the States of the net proceeds in any financial year of the additional duties of excise leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957. Let me give a brief resume of the two Bills which I have moved today.

The first Bill provides for sharing and distribution of the basic excise duties. The Ninth Finance Commission has recommended that 45 per cent of the net proceeds of the sharable excise duties should be paid to the States during 1989-90. Out of this 40 per cent are recommended for distribution to all the 25 States while the remaining 5 per cent are earmarked for distribution exclusively to the 13 deficit States in proportion to their deficits. The estimated amount transferable to the States during 1989-90 is of the order of Rs. 7,476.46 crores.

The second Bill seeks to give effect to the recommendations of the Ninth Finance Commission for the distribution of the net proceeds of the Additional Duties of Excise levied on sugar, tobacco and textiles. As the House is aware, these duties are being levied from 1957 with the consent of the State Governments in view of the States' sales tax on these commodities. The scheme provides for the distribution of the net collections other than the portion attributable to the Union Territories, among the States in accordance with the principles recommended by the Ninth Finance Commission.

The Commission has recommended that the States' share of the proceeds should be distributed among them by giving equal weightage to the State's domestic production and population. The transfer to the States during the year 1989-90 is estimated to be about Rs. 1,449.04 crores. Apart from the basic excise duties and additional excise duties for the distribution of which among the States the two Bills have been moved today, the States will also get 85 per cent of the net proceeds of the income-tax under Article 270 of the Constitution. It is estimated that the States will get Rs. 3,128.15 crores during 1989-90. Besides, grants-in-aid of the order of Rs. 1,877.12 crores are also payable to the States during 1989-90.

In conclusion I would reiterate Government's commitment to foster smooth and harmonious financial relations between the Union and the States and place them on an even keel in order to provide a balanced regional development as an integral part of the overall national growth. Our decision on the recommendations of the Ninth Finance Commission reflects our firm commitment to the objectives of healthy federal fiscal relations which is an essential prerequisite for accelerated and balanced economic growth.

The question was proposed.

SHRI KAMAL MORARKA (Rajasthan): Madam, the two Bills before the House, the Union Duties of Excise (Distribution) Amendment Bill, 1989 and the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1989, have been brought in pursuance of the recommendations of the Ninth Finance Commission. At the outset.' Madam, on behalf of my party and probably I will be speaking for the States not only run by my party...

SHRI SATYA PRAKASH MALAVIYA (Uttar Pradesh): Your party is not running any Government. That is a coalition.

SHRI KAMAL MORARKA: ....but other Opposition parties. I have to say that over the years the State Governments have been finding a resource crunch. The Ninth Finance Commission in its interim report has basically

followed the norms as evolved by the Eighth Finance Commission. The Ninth Finance Commission has said in its report that its second Report, which they expect to give some time, probably, by the end of this year, will give deeper thought to the proposals made by the different States. Before I go into the detailed demands made by the States and the suggestions they have made to the Ninth Finance Commission, I would like to say a few words on the overall financial picture and the present resource crunch which is being faced by the States and, in fact, also by the Centre.

It is the Seventh Plan period now and, in fact, it is the final year of the Seventh Five Year Plan period and one of the things that the Ninth Finance Commission has said is that it does not want to make far-reaching recommendations because it does not want any drastic change in the financial pattern in the final year of the Seventh Plan. The fact remains, however, that the Seventh Plan period itself has seen a sea-change in the fiscal scenario of the country and this is because in the Central Plan, which is in the final year, probably we are going to meet the target and probably we are going to overshoot the target and we are going to complete 115 percent of the Plan outlay. The total Plan outlay has been met by borrowings and I do not want to go into the facts and figures because they have already been discussed during the debate on the Budget and the Finance Bill. But the fact remains that the Central Government has relied more heavily on deficit financing, that is, internal borrowings as well as external borrowings in financing the Plan. At the same, time, the resource generation by way of administered prices and increase in indirect taxes has been phenomenal.

[The Vice-Chairman, (Shri H. Hanumanthappa) in the Chair.]

If we take an overview of the last five years, and the ratio between the direct taxes and the indirect taxes, we will see that the indirect taxes have contributed 87 per cent of the total resource generation from taxes. Not only that. There what we find is—and this is a disconcerting feature—that the sales tax has been sharply increased by the various States. The sale tax on goods, which used to be about two per cent or five per cent, is now eight to fifteen per cent on a host of commodities and the basic reason for this is that the main source of revenue for the State Governments is only the sales tax. Now, out of the excise duty collection, as per the old formula, out of the basic excise duty, only 40 per cent is the share of the States. I will come to the details of the cess and additional duties later. But, taking an overall picture, the Finance Minister must appreciate that the time has come when, because of the increased DA—yesterday also we announced another DA instalment for the Central Government employees, and the State Governments will have to follow now—and because of the increased pressure of revenue expenditure, resource generation has become crucial and as far as the Central Government is concerned, they have got a lot of source of funds including deficit financing, including external debt whereas the States do not have that sort of flexibility in raising revenues.

SHRI B. K. GADHVI: Do you consider it as revenue—the deficit financing?

SHRI KAMAL MORARKA: It is an important source of funds for the Central Government on which it can fall back and it leads to two things.. One inequity is that the Central Government can generate its own money by methods which may not be acceptable or which may not be prudent, but they can get the money. But the State Govenrments cannot. The second thing is that price instability

[Shri Kamal Morarka]

takes place which further damages the budgets of the State Governments. So, why the State Governments are at the receiving end is due to two factors. One is that the revenue sources are limited and the second is that price stability is not in their hands. So, inflation is not of their making. So, I find that most of the State Governments—all State Governments, whether they are Congress (I) State Governments or Opposition State Governments; it is not a political issue and I do not want to politicise the issue—are under a severe resource crunch and they are unable to meet even the revenue expenditure fully so much so that the development of the State has really taken a back seat. It is a very very serious matter which only the Central Finance Ministry can do something about in the long run.

Since we are on this point, I must say one thing which goes against the State Governments, all State Governments—and it is the performance of the State Electricity Boards. They are a major source of wastage of resources which applies to all the States, from UP, Bihar and Madhya Pradesh, run by the Congress (I) Party to the Opposition-led Governments. But, unless their revenues and the entire financial structure are put on a sound footing, I think we will find economic management more and more difficult in the years to come. Therefore, as I said, instead of politicising the issue the right thing is that there should be a proper discussion between the Central Finance Ministry and the States to arrive at a certain national consensus on the economy because the corrective procedure itself will take 5 to 10 years irrespective of which Government is ruling where. I think that the time has come when the Finance Minister should call a conference of the State Finance Ministers, the Finance Ministry and the various other departments and arrive at certain basic parameters which all State Governments must follow.

Having said that, I will come to some of the specific points which arise out of these two Bills. The first point to note is that these two Bills relate to the share allocation to the States only for the year 1989-90. The 9th Finance Commission has reserved its right. In the second report, they may change these percentages. I would expect the Government to assure us that the moment a report is received, they will again amend these percentages to fall in line with the recommendations of the 9th Finance Commission which should come by the end of this year.

One of the observations made by the 9th Finance Commission which directly affects the States is this business of levying the cess. The excise duty is in the divisible pool. Take this special cess which you put such as the cess on crude oil. If the cess on crude oil was in the divisible pool, it would make a significant difference to the revenue of certain States. Now for Gujarat, the matter is being raised sometimes in this House. For Maharashtra also, the matter is being raised for the Bombay high. It is, of course, a diffierent issue whether Bombay High belongs to Maharashtra or not. But the fact remains that there is cess on crude oil. But on certain items there is excise duty as well as cess such as tea, sugar, bidi, textiles, paper, jute and automobiles. But it is only the excise duty which is shared and the cess is not shared. Then there are certain items where there is cess of a particular type like iron ore and coal. Now the State Government like Bihar, Bengal and others where there is coal find that they are unable to share the cess on coal. These are the various factors which were brought before the 9th Finance Commission. The 9th Finance Commission has observed that to the extent possible the Government should try to reduce the cess. But they have not opined that cess should be brought under the divisible pool. I must point out here that in the long-term fiscal

policy which your Government presented in 1985, they did talk of either abolishing the cess or reducing it significantly. This particular thing has not been pursued. I have to request that during this year the Finance Ministry should consider either to bring the cess into the divisible pool or to reduce the cess and the additional duties so that they do not make a significant dent in the revenues of the States. This is my suggestion.

The second suggestion is on administered prices. Here the Finance Commission has made a clear recommendation. Their recommendation is:

> "If the purpose of revising administered prices is to raise resources for the Government, it should be done through increase in excise duties so that the States also get a share of the proceeds thereof notwithstanding the fact that the extent of increase would be higher in such cases."

It appears now that when the 9th Finance Commission was discussing this matter, the Union Finance Ministry had taken the stand that this is not feasible because if the administered prices are increased by way of excise and thereby they have to share them with the States, then the increases will have to be much higher which is natural. In spite of that the Finance Commission has said that they are unable to accept this argument and in spite of the argument put forward by the Finance Ministry, the 9th Finance Commission has recommended that whenever administered prices are to be increased, that should be done by way of excise duties as a source of revenue. Of course, if the administered prices are increased for meeting the cost of a product, that is a different matter. But if it is for the resources of the Central Government, it should be by way of excise and it should be divisible so that the States also get their due share.

The next question is that of the basic excise duty States share. Now, the 8th Finance Commission had fixed the share at 40 per cent plus another 5 per cent to be distributed among the deficit States. The 9th Finance Commission, for the purpose of this report, for 1989-90, has stuck to that formula on the ground that being the final year of the 7th Plan, they did not want to change the pattern drastically. But various States have urged that this 45 per cent should now be increased to 50 per cent. Some States have demanded even 60 per cent. But I think time has come when, if we are not reducing the cess or merging it with excise duty, if additional excise duty is not being merged with excise duty, then the share of the basic excise duty should be increased to 50 per cent. Perhaps, we will have to await the final recommendation of the Ninth Finance Commission. But I do hope that the Finance Ministry will consider that this share should be increased; time for this has come now.

Sir, another question is the additional duties in lieu of textile, tobacco and sugar. As you know, this was done long ago. The idea was that it is simpler to collect this duty; sales-tax will not be levied. In fact, there was one thought at that time that slowly a lot of items will come under excise umbrella instead of sales-tax for simpler administration and collection. But, Sir, what has happened over the years, as we see, is that simplicity has really not come. Excise has become the main source of revenue for the Centre and Sales-tax has become the main source for them. A host of items are still being subjected to sales-tax in the States. Many States have come up with the suggestion that these three items should also now go back to the States. I personally do not say that that should happen. This excise in lieu of sales tax is in the nature of a tax rental arrangement. Time has come to re-

[Shri Kamal Morarka]

view this arrangement. This arrangement was arrived at by the National Development Council in 1956 or so. Probably there should be another meeting of the National Development Council to reconsider what changes are required to make this acceptable to the States in the new scenario. And one of the comments of the Finance Commission is very important, and I again quote:

> "We hope that by the time we are to finalise our views on the merger issue for our second report, the apprehensions and misgivings of the State Governments relating to the tax rental arrangement would have been redressed. This would help create an atmosphere conducive to an objective and dispassionate approach to the question."

What I want to say is that after all the aim of the Centre and the States is the same ; collection of revenue in the least painful way. Development processes are going on which are not contradictory. The Centre wants projects and the States also want projects. But if a stage has come when the States have this misgiving that they have been deprived of their due share, there is a suggestion to merge the additional duty with the basic duty. The Centre insists: no, 45 per cent should not go up. The States feel that it should go up. I think time has come again when these matters should be sorted out amicably. The Ninth Finance Commission has said that if this is done before the final report, it would go a long way in having a consensus in the proportionate sharing of the revenue.

Sir, the Finance Commission have pointed out that they are very much concerned on two issues which the States have raised. One of them relates to numerous exemptions issued by the Central Grvernment in respect of goods which would otherwise have attracted additional duties of excise. The Central Government has powers to exempt. Once it is in the additional duty and they exempt, then the States lose revenue to that extent.

The other matter relates to undue expansion in the coverage of additional duties of excise. As a result, the list of items on which the States may levy sales-tax is becoming restricted. There may not be technically any restriction and there are a lot of items where the States also can levy sales-tax in spite of excise. Sir, in taxing an item beyond a certain limit the law of diminishing returns sets in. So if the Centre goes on expanding its list of additional excise dutiable item, the State list where they can get some sales-tax goes on getting restricted. This is basically a revenue problem for the States. The Centre has not demonstrated its earnestness to sort out these issues, which makes the States apprehensive.

Now, the Finance Commission has said—I quote:

"We recommend that the Standing Reveiw Committee may meet urgently to resolve these issues. The report of the Committee in this regard may be made available to us by the end of October, 1988 to enable us to consider the matter in our second report."

Sir, I do not know what has happened... (*Time bell rings*) I would like to be enlightened by the Minister on this.

Finally, Sir, the basic for sharing the revenue *inter se* among the States from the First Finance Commission onwards, a lot of formulae were found out—whether it should be on the basis of population or area or consumption. A consensus was evolved that basically the sharing has to be on the basis of consumption. But various Finances Commissions. Sixth and Eighth Finance Commission found that accurate data on consump

tion is not available. National Sample Survey also in their 38th round have done a lot work, but accurate data is not available. So, the Eighth Finance Commission went on a formula and the State Domestic Product (SDP) and the population have been given equal weightage which really means the per capita domestic product. Now, Sir, this is quite acceptable. The 9th Finance Commission has also followed the same formula. But they have done one refinement, and that is, for States where there are more percentage of people below the poverty line, they have tried to give a small weightage in favour of them. Sir, I feel that though we are in a resource crunch, but definitely there are States in the country were backwardness is much more and something will have to be done to see that those particular backward areas—Adivasi areas or Tribal areas or very backward areas—get some extra money. Though we have got grants-in-aid and other things, I feel that when the final formula for devolution of resources to the States is worked out by the 9th Finance Commission, there should be a provision to give weightage to people living below the povertyline. Again, data on that is not accurately available. But I do hope the Finance Ministry will do something to generate that sort of data.

With these words, Sir, I basically support the recommendations of the 9th Finance Commission and I do hope the Government will take into consideration the feelings of the House, part of which I have expressed and I am sure my other friends will do the same. And I do hope that the Finance Minister will consider these matters sympathetically to make it more rational.

SHRI JASWANT SINGH (Rajasthan): Very well-informed. (*Interruptions*)

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Shri Moturu Hanumantha Rao.

SHRI MOTURU HANUMANTHA RAO (Andhra Pradesh): Mr. Vice-Chairman, Sir, first of all, I greet you on your happy birthday.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Thank you.

SHRI KAPIL VERMA (Uttar Pradesh): Sir, accept our greetings also.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Thank you.

SHRI MOTURU HANUMANTHA RAO: Sir, on the question of excise duties, my hon. friend, Mr. Kamal Morarka, has already pointed out the difficulties that the States are facing. I am also seriously concerned about the suffering of the States financially because of the arbitrary attitude of the Central Government. As more and more non-Congress(I) States come into the offing, the Central Government has been doing its best to see that the resources of the States are curbed, and the whole financial collections are made exclusively by the Central Government itself. That way, they are concentrating financial powers in their hands and thereby the States' resources and their capacity to work for the development of their States is suffering.

Sir, here also, in regard to the administered prices, so much of protest has already been there in the country because these administered prices are exclusively taken by the Central Government for its own exchaquer, and the States are not given their share. This fact had been noted by the Sarkaria Commission, and has also been commented upon even in the 9th Finance Commission's first report. So, this is to be seriously taken into consideration whenever we deal with such Bills also. The administered prices are affecting the resources of the States. In many ways it is having its impact on the States' own resources because when the administered prices are there, the general prices go up, and then the State Governments will have to spend

[Shri Moturu Hanumantha]

the bill more than the previous year. Like that, every year the administered prices go up, and every year the States are made to suffer. They cannot meet their own expenses. That is why such suffering are there.

Even in this excise duty, of course, it has been already pointed out in the Ninth Finance Commission Report, they are following the same recommendations made by the Eighth Finance Commission. They have promised to look into the basic matter later, in the coming four years period. But the point here is even on this so much of satisfaction is not there. For instance, I can quote the Finance Commission's Report itself wherein they have narrated that nine States have asked for 60 per cent of the excise duty for the States and three States have asked for 75 per cent as its share. So, when such is the case, only 40 plus 5 per cent is now given to the States. That way it is not at all sufficient. So, it has to be taken note of and the Central Government itself will have to see that the States are also strengthened. Otherwise, it will be very difficult to maintain national unity while adopting such arbitrary measures. That is exactly why I say that the share, of course, the Finance Commission has not yet recommended, I hope the Finance Commission would recommend greater share for the States and it would be immediately accepted by the Central Government. Additional duties also are ther. These additional excise duties are collected. there is no share for the States at all whether consumption basis is to be taken. That has been discussed at legnth. But the point here is to adopt this consumption limit, consumption basis for the share of the States concerned. They say, no data is available, which State consumes how much, that data is not available. Not only for this year, but for all the years and even decades, perhaps. Because it has been mentioned, even in 1958 it was mentioned, that the consumption data is not available for the particular States. And even in 1988 the same argument is coming forward and the Ninth Finance Commission has taken note of it that the data is not available, on what basis it has to be shared, how much tobacco, how much sugar, how much textiles production is there in the various States and how much is consumed there, that data is not available. How do they collect the taxes at all. They are collecting additional excise duties on the same articles. But they say, they do not have the data in order to precisely prescribe the share that should go to the States. So, this way, this is a fallacious argument and it has to be overcome and that way the States are also suffering.

It must be seen that the recommendation made by the Finance Commission itself is clear that the additional excise duties are to be taken in the divisible pool so that the States can get a greater share. That is also recommended. Of course, it is not made in the form of a recommendation. Here also they confine this to the Eighth Finance Commission recommendations. That is why they have not advanced much. We hope they will advance later. But the point is that these additional excise duties are to be merged with the basic excise duty and it should be seen to it that the divisible pool is enlarged so as to give greater share to the States.

Again, coming to the exemptions, so many exemptions are allowed in regard to textiles and so many man-made fibres and other things. With whose consent are these exemptions allowed and for whom are they allowed? The States also have a share in certain excise duties, and the States lose if exemptions are granted arbitrarily by the Central Government. They lose their revenue. That is exactly the reason why I say that these exemptions should not be al-

lowed arbitrarily by the Central Government without consulting the States concerned, because this way it would affect the States. For instance, there is a question of collections, not of default. Now I am given to understand, according to press reports also and the PAC reports, that an amount of Rs. 1.17 crores due from the Reliance Company has, not been taken note of while calculating this excise duty, and it was not recovered for four years, and only some outside authority had to point out this lacuna and then only it was done. So, for four years excise duty was not collected from a company to the tune of Rs. 1.17 crores. That means, the States are also losing. That is one aspect. So, collection should be seriously attended to. The second aspect is that if these exemptions are allowed to the tune of Rs. 250 crores—as I am given to understand, according to reports, exemptions of about Rs. 250 crores are there—without consulting the States, which means in favour of certain companies these things are allowed, the States would be losing to the tune of more than Rs. 100 crores, because 40 per cent is to go to the States. And they would be losing this amount. Another aspect of the matter is that special favour is shown to certain companies also. For instance, I come to know that 35 per cent of man-made fibre is held by Reliance Company, and this means that this exemption would help them to the tune of Rs. 90 crores. That is the way things are happening. These should be checked seriously. I do not oppose these recommendations because tentatively it gives the hope that in future, during the next four years, it would enhance the share of the States. Though I do not oppose it, but at the same time, these defects are to be taken note of seriously, and they should not only be checked but positive steps should be taken with regard to excise duty and additional duty so that the States get their due share. A serious consideration has to be given to the report of the Ninth Finance Commission, and the Finance Commission as well as the Government should consider these questions seriously. With these words, I conclude.

DR. YELAMANCHILI SIVAJI (Andhra Pradesh): As for as these two Bills are concerned, even the Sarkaria Commission mentioned in their report that the Union Government made it a point to trespass into the area specifically earmarked for the State Governments.

As you know, Sir, excise duty contributes about 70 per cent of the total tax revenue for the Union, and the Bill seeks to merge some of the excise duties to bring it under the purview of the Union Government. It was done during 1959 in case of 3 or 4 items; but the Union Government suffers from credibility gap.

12 NOON

The Central Government made certain promises at the time when the parent Act was enacted while bringing under it certain items like tobacco, cloth, paper, sugar and other items. The Central Government is not serious enough, is not honest enough, to devolute the funds as they promised at the time when the main Act was enacted. I would like to advise the Government that they should not suffer from this credibility gap, they should remove this credibility gap and fulfil the promises made by them.

The hon. Minister mentioned that the share of the States in Income-tax was to the tune of Rs. 3,000 odd crores, that there are grants-in-aid also and that the States also get a share in excise as well as customs duty. But Sir, at the same time, many other sources are available to the Union Government which have not come within the purview of the Finance Commission.

The Planning Commission, which is an extra-Constitutional body, is sitting at the helm of affairs and it

[Dr. Yalamanchili Sivaji]

decides the fate in regard to the allocations for various sectors as well as the allocations for various State Governments. The Planning Commission would say 'Mr. N. T. Rama Rao, you are not capable of raising resources, you are not capable of completing the Telugu Ganga project and, therefore, we are not going to endorse it'. This extra-Constitutional body known as the Planning Commission is having overriding powers both on the State Governments and the Union Government. This is not desirable. It is a creature of the Legislature. It does not enjoy any Constitutional authority. At the same time, it has overriding powers.

Sir, as I said, there are other means which are available to the Union Government like securing domestic and foreign debt, resorting to additional printing at the Nasik Press, etc. Nowadays, the Government has become very wiser. Instead of increasing the excise duty, they are resorting to hike in the administered prices of various items like, for example, steel, cement, fertiliser and coal. When the administered prices of these items are increased, the State Governments are the sufferers because they are the bulk consumers of these items. At the same time, the States do not get any share from the hike in the administered prices of these items. Therefore, I would like to advise the Government that they should go in for enhancement of the excise duty and not enhancement of the administered prices. This is not desirable and it is not in the interest of the healthy functioning of the federal structure in the country.

Then, there is another thing. The various public sector units go in for issue of debentures and the nationalised banks and other institutions pay a higher rate of interest. Ultimately, the States are the sufferers. Naturally, in the case of the debentures issued by the public sector units under the Central Government, the State Governments do not get any share. At the same time, whenever any State public sector unit goes in for issue of debentures, the Union Government or the Reserve Bank of India comes in the way and says that it cannot be allowed to do so. I do not understand why the same dictum should not be followed in the case of the public sector units, whether they are under the Centre under the States. You should apply the same principle in both the cases.

There is also a gap in the collection of excise duty. As you know, there are several cases pending in various courts of law. The Government is not serious enough to get the cases settled and collect the dues from various multinational companies. I understand, from some cigarette companies alone, more than Rs. 1,000 crores is due; locked-up in legal battle. The Government is not serious enough. The Standing Counsels are not serious enough. They always collude with the other party and they try their level best to delay the cases in the courts of law. Therefore, I suggest that instead of this, special tribunals or special courts should be set up, the dues should be collected so that the States can get their share.

In regard to the corporate tax, again, the State Governments do not get any share. Corporate tax is another form of income-tax collected from various companies, industries, etc. out of their income. When industries are set up in any area, it is the State Governments which have to allot land, ensure supply of water, power, housing for the employees and provision of transport, communication and other facilities. Expenditure on such things is borne by the State Governments. But they do not get any share out of this corporate tax. So, likewise, all these things are not desirable. Here at the moment

Mr. Gadhvi may be sitting on the Treasury Benches. He may soon come to the Opposition Benches within six months or so. But keeping in view the long range prospects of the country for proper functioning of the federal structure in the country, you see that the principles that are envisaged in the debates of the Constituent Assembly as well as those enunciated in the Constitution regarding devolution of funds between the Union and the States are properly followed. There should not be any ground on which the States feel that they are neglected, that they are subjected to injustice.

Likewise, you introduced the 8-per cent surcharge on income-tax. Why should the Government go in for the surcharge, keep the entire amount in the coffers and at the same time say, "All right. We are keeping the entire amount in the coffers, and we are not going to divide it, we are not going to share it with the State Governments."? It is not desirable. It is not in the larger interest of the States.

Anyhow, the Finance Commission has given its report. Unless this report is endorsed by Parliament, the States may not get even this small share. With that reservation, I am supporting these two Bills.

At the same time, we hope that while appointing Members of the Finance Commission you will see that some personnel from the non-Congress States, from those States that are ruled by parties other than the party ruling at the Centre, also find a place in the Finance Commission. I find to my dismay that only their henchmen are appointed as Members of the Finance Commission, and no State Government is consulted. In the changed political structure in this country, non-Congress governments are working in more than 12 States. So, it is desirable to consult them when appointing Members of the Finance Commission. You consult the concerned State Governments. You find out their credibilities. You find their credentials and background. Then only it can be ratified. So, it is not desirable to appoint a small man. There are several States which are smaller than my district. The ex-Chief Minister of a small State which is smaller than my district, is appointed in the Finance Commission. He does not know enough about the requirements of the State Governments.

SHRI B. K. GADHVI: That is an insinuation against a Member of the Finance Commission. There are prescribed qualifications, and anybody who fulfils the qualifications, can be appointed. This is an insinuation against a Member of the Commission, that he does not know. That cannot be said.

DR. YELAMANCHILI SIVAJI: When Mr. Brahmananda Reddy was appointed or when Mr. Y. B. Chavan was appointed, though they belonged to a different party, we never had any objection to their appointment because for quite long they were Chief Ministers of their States. For quite long they were responsible Ministers at the Centre. So, we could not find any objections from the non-Congress ruled States for appointment of Mr. Brahmananda Reddy or Mr. Y. B. Chavan. But at the same time, you apply the same principle.

So, while finalising all these things, you keep the larger interest in view and see that this federal structure in the country goes on well.

SHRIMATI BIJOYA CHAKRAVARTY (Assam): Sir, we have to discuss the two Bills, the Union Duties of excise (Distribution) Amendment Bill, 1989 and the Adidtional Duties of Excise (Goods of Special Importance) Amendment Bill, 1989 which are before us.

Actually I do not see that much change is being brought by the Minister through these amendments. What

[Smt. Bijoya Chakravarty]

was there in the Eighth Finance Commission will be followed in the Ninth Finance Commission. I hope something positive would be done to help the States which are suffering much. It is known to all that slowly and gradually the States have got more responsibility to perform each and every day, each and every month, each and every year. This increasing responsibility the States cannot cope up with the small amount of resources they have. Naturally, financial constaints are very much on all the States. So, I propose here that whatever amendments the Minister wants to make here and which he will give to the Ninth Finance Commission, should be helpful to the States. So far as the basic excise duties are concerned, I demand here that the States' share should be increased. Instead of 40 per cent, it should be 60 per cent to the States. Moreover, the proposed margin of additional excise duty will not at all be helpful to the States. That is why many States have opposed it. States are components of the country. So, I feel it is the duty of the Central Government to look after them and to see that each and every component gets due share of the amount thereby enabling it to discharge its responsibility properly without financial constraints.

In the final report of the Commission proper provision should be made to increase the share of the States. To this end a serious consideration should be made.

SHRI B. K. GADHVI: I am thankful to the hon. Members, who have participated. Most of the points that have been raised are in the form of suggestions to be taken note of by the Finance Commission while giving its final report. All of us know that there is a tremendous resource crunch both for the Central and State Governments. The more we go in for welfare measures and development programmes of the country, the more funds would be needed. In this regard I would wish to point out that the States also are equally responsible to augment their resources and to manage their fiscal policies and programmes and developmental works so that they can also have more impact on the development and growth in their respective States. A tendency, unfortunately, is being created that for finances the Centre has to meet, the total requirements of the States.

SHRI MOTURU HANUMANTHA RAO: The lion's share is taken by you. What is left for them?

SHRI B. K. GADHVI: I am sorry to note, as our public sector undertaking fall short and do not fulfil their obligations in their contribution to the national Exchequer, likewise many of the State units also do not contribute what is expected of them to the State exchequers. It should be our collective and concerted efforts that the sources of revenues and resources beyond the taxes and other things which are there by way of contribution by our public sector units which may be belonging to the Central and State Governments have to be more efficient, have to be more contributory. That is one of the very good steps which can help us in alleviating the resource cruch of the States as well as the Centre.

If we look to the various schemes, besides the devolution which is recommended by the Finance Commission and which is accepted by the Government, there are other recommendations also of the Finance Commission with regard to the natural calamities, upgradation of a particular system, grants-in-aid for the plan and all other things and that also the Centre is meeting. The Centre also has to perform its duties and responsibilities. Therefore, just to go on asking that the ratio of the devolution on the basic excise duty should be raised, perhaps it is for the Finance

Commission to consider, I cannot here comment on it. But a reasonable and pragmentic approach even in the case of the States, demands has to be made by the States, because we find that plenty of Centrally sponsored schemes in the States are funded by the Central Government apart from this devolution. It may be in the area of human resource development, it may be in the area of poverty alleviation programmes like RLEGP, NREP and now the new Jawahar Rozgar Yojna etc. etc. But I agree with Mr. Morarka that State Public Sector undertakings also should improve their performance and should have a better contributory role in the State exchequers as the Central Public Sector undertakings also should have a better role to play.

A point has been made about the administered prices and other things. The administered prices are not the sources of revenue. It is for the purpose of preventing or redusing the losses which the particular production unit is making. The Finance Commission itself has pointed out and Mr. Morarka also has agreed that if we make them devolvable then, perhaps the hike in administered prices would be very much high and then we all talk....

SHRI MOTURU HANUMANTHA RAO: That argument they have not accepted. The Ninth Finance Commission report says that this argument is not tenable.

SHRI B. K. GADHVI: They may not have accepted it. That is a valid thing. Therefore, Sir, when we think in a comprehensive manner about the people at large, price rise, standard of living, consumption capacity of the people, if the taxes go beyond a particular level, onset of the principle of diminishing returns and all these things are relevant. Therefore, in the Constitution this mechanism of having a Finance Commission to decide about the devolution of funds between the States and the Centre has been made.

I am very sorry to say that Dr. Sivaji has commented upon the qualifications or the capacities or the competence of one of the Members of the Planning Commission. That is not good for us. Anybody who possesses a qualification which is requisite for the purpose of becoming a Member or Chairman of the Commission, he only is being appointed. It is not that any person who is incompetent has been brought and made as a Member. That I would refute, Sir.

It may be appreciated that though the Centre collects about 70 per cent of the aggregate resources, it retains only about 50 per cent and the remaining is distributed among the States. If we think in terms of reality, both the Centre and the States share in the ratio of 50 : 50. Now, the obligation and duties cast upon the Central Government with regard to other areas which are exclusively outside the purview of the States are more and the Centre has to look into them. Therefore, to say that the Centre has got more avenues to augment the resources by way of resorting to deficit finance or borrowing, etc. etc. is not reasonable. We also sometimes permit States to borrow. Before borrowing is done by the States, the need and the justifisation is examined and then they are allowed to borrow. They are also given grants, loans from small savings and other things. I believe firmly that the avenue to borrow or the avenue to resort to deficit financing is not revenue as such. The more we put a restraint on it, the more we bring it down, the more it would be in our own interest. But every developing country has to resort to these things and until we resort to these things, perhaps, the development would come to a standstill. I believe in other areas there is room for economy on our non-Plan expenditure side or on other expenditure side. But in those areas also, if we examine them very critically you would find that once you have a parti-

[Shri B. K. Gadhvi]

cular growth and development, then, for the purpose of maintenance and running it you need expenditure to be incurred on non-Plan side. Therefore, if we want to strengthen and if we want to make fiscal environment of the country, as a whole more healthy, perhaps your suggestions in a more positive and pragmatic manner are needed in this direction.

Mr. Morarka says: "States are feeling resource crunch." The Centre is equally feeling. That is what we are pleading before you always that we have to resort to deficit financing or borrowing, etc. etc. We have always been criticised that inflation is on the rise, common man is hard hit, poor man is hard hit. All these are the criticisms and we feel that there is some reality and truth in it. Therefore, within this constraint, within this limit, we have to manage the financial management in such a way that ultimately both the Centre and States should prosper. It is also wrong, I would say, to divide the States and the Centre in the fashion as it is being done. After all the country belongs to all States and the Centre together. The Central Projects in the States have got their own contributory role to play in the development of that very State by way of augmenting more ancillary projects or affording more employment avenues or other benefits. So, the Central projects as such could not be viewed in isolation that there is no share of the Central projects for the benefit of the States. Likewise, it cannot be said that the Centre does not benefit at all from the State projects by way of income tax or excise or any other tax. The Centre also benefits because of the State projects. This is a mutual theme for the overall growth and development of the nation as a whole and on this subject, to speak in terms of the Centre and the State, to speak as if there is a confrontation between the two or to speak as if the Centre wants to deprive the States of their resource augmentation room etc. is not a healthy and proper approach. I believe and I maintain and I would urge that so far as the financial management and fiscal growth of the country is concerned, so far as the development and the happiness of the people is concerned, our approach needs to be more cooperative and unified so that we go a long way in fulfilling the aspirations of the people. Sir, these are very technical Bills. All the suggestions as I stated earlier are still to be considered by the Finance Commission and the Finance Commission would certainly take a very pragmatic and very positive approach to the points which are being put forth before them by the State Governments as well as the Central Government. Not only the State Governments and the Central Government but other agencies might have given their suggestions to them and therefore, we have accepted the recommendations. I have just come with these two Bills so that the States can get the funds granted to them and with these words, once again I thank the hon. Members who have participated and commend the Bills for unanimous approval of this House.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): I shall first put the motion regarding the Union Duties of Excise (Distribution) Amendment Bill, 1989 to vote.

The question is:

"That the Bill further to amend the Union Duties of Excise (Distribution) Act, 1979, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI B. K. GADHVI: Sir, I beg to move:

"That the Bill be returned."

The question was put and the motion was adopted.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): I shall now put the motion regarding the Additional Duties of Excise (Goods of Special Importance) Amendment Bill, 1989 to vote.

The question is:

"That the Bill further to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 and 3 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI B. K. GADHVI: Sir, I beg to move:

"That the Bill be returned."

The question was put and the motion was adopted.

REPRESENTATION OF THE PEOPLE (AMENDMENT) BILL, 1989.

THE MINISTER OF LAW AND JUSTICE AND THE MINISTER OF WATER RESOURCES (SHRI B. SHANKARANAND): Sir, I beg to move:

"That the Bill further to amend the Representation of the People Act, 1950, as passed by the Lok Sabha, be taken into consideration."

The Bill is a sequel to the Constitution. Sixty-First Amendment Act, 1988, amending Article 326. The amendment has come into force with effect from the 28th March 1989 having been ratified by the legislature of more than one-half of the States as required by the proviso to Article 368(2) of the Constitution. It has reduced the age of voting from 21 to 18 years. Section 19(a) of the Representation of the People Act, 1950 specifies the age of voting as 21. After the Constitution Sixty-First Amendment, 1988, this has to be amended with retrospective effect from the 28th March 1989. Under section 14(b) of the 1950 Act, the qualifying date in relation to the preparation or revision of every electoral roll means the first day of January of the year in which it is so prepared or revised. Elections are due this year and if the electoral rolls are revised and updated in the usual manner with 1st January 1989 as the qualifying date, the younger generation of the age-group of 18 to 21, which has become entitled to vote from the 28th March 1989, would not be entitled to exercise its right to vote in the ensuing elections. The intention behind lowering the voting age is that the new voters should not wait for a further period before taking part in the next elections. It is, therefore, proposed to amend Articles 14(b) with a view to providing that the qualifying date in relation to the preparation or revision of every electoral roll under Part III of the said Act shall be the first day of April 1989. The Election Commission has already initiated the necessary steps for enrolling all those who attained the age of 18 as on 1-4-1989 in all the States and Union Territories so that the task of upgrading the electoral rolls covering also the new category of electors during the current year is not delayed on any account. Therefore, a provision has been added in the Bill to validate all things done and all steps taken in anticipation by the Election Commission. It is further proposed to amend section 9 of the 1950 Act for empowering the Election Commission to consolidate all information relating to delimitation of Parliamentary and Assembly constituencies. The said section 9 empowers the Election Commission to correct only printing